

expectation of recovering from the targets of the program -- then an explicit funding mechanism must be provided.

Advertisements aimed at narrow population segments are not devoted to general brand recognition or image-oriented advertising. To promote subscribership, the message will be more related to the availability of service options and assistance programs, as well as information on how to retain telephone service once it is installed. Much of this type of advertising must consist of native language print media and radio programs narrowly targeted to specific ethnic groups, rather than a broad based general marketing campaign intended to stimulate consumer purchases of a broad range of services.

Further, the Commission has to acknowledge that the majority of customers who are likely to be attracted are, by definition, low income individuals who will not purchase high margin discretionary services. And, until an exchange carrier's local service prices in all locales are set based upon the costs of serving a particular area, a basic local service price will not necessarily be fully compensatory in and of itself.⁷⁴

In summary: Customer education programs can be used to increase subscription levels by making non-subscribers aware of service options and public assistance mechanisms. All local service providers and all agencies involved in providing assistance to pay for telephone service should participate in informing

⁷⁴ GTE has discussed in several proceedings the numerous hidden subsidies that are used to hold down local service prices. See, for example, *D.80-286*, GTE's Comments filed October 28, 1994, at 5-9.

potential customers. Special programs that go beyond normal business marketing and educational activities should be funded by a federal and/or a state program.

IX. THE LINKUP AND LIFELINE ASSISTANCE PROGRAMS SHOULD REMAIN LARGELY UNCHANGED.

The NPRM (at paras. 23-24) discusses the availability of assistance to low income households to help defray the expense of installing telephone service. Comment is sought (*id.* at para. 24) as to whether a greater amount of assistance should be provided to "subscribers taking long-distance blocking options." The NPRM (at para. 36) also asks for input on ways to "modify the Lifeline program to bring more subscribers to the network."

GTE supports only one modification to the Link Up program, and opposes measures that would eliminate the narrow targeting of the Lifeline program to the households of low-income individuals.

GTE suggests Link Up benefits should be increased for low income households voluntarily selecting call restriction services. As the NPRM notes, retention of service is heavily impacted both by the ability to control use of a telephone, and the level of monthly expenditures for telecommunications service.⁷⁵ Increasing installation assistance for low income individuals that have a genuine desire to retain service through controlling expenditures would be a positive step to increasing telephone subscribership levels.

⁷⁵ See NPRM at para. 13 and n.15. This fact recently has been confirmed again in focus group interviews with ethnic groups in California. See discussion in Attachment A.

"Streamlined certification procedures," such as those used in California that allow self-certification, might encourage persons to avail themselves of Lifeline programs.⁷⁶ However, nationwide adoption of self-certification could lead to huge increases in Lifeline funding requirements. This risk is demonstrated by the higher level of participation in the Lifeline program by GTE's California customers. Fifteen percent of GTE's California customers have self-certified themselves as eligible for the Universal Lifeline Telephone Service ("ULTS") program that provides local service at 50% of the normal price, plus Lifeline credits for the Subscriber Line Charge ("SLC"). A contrasting example is Texas, which requires proof of income eligibility. Less than 1.5 percent of GTE's Texas customers receive reduced telephone charges, even though in 1994, the average family income per household in California was one-quarter greater than in Texas.⁷⁷ That the California figure is ten times the Texas figure suggests adoption of self-certification by the FCC could lead to an enormous increase in Lifeline costs. Participation levels in Lifeline are consistently much lower than the level in California for GTE customers in states where proof of eligibility is required.⁷⁸

Eligibility for Link Up and Lifeline programs should continue to be narrowly targeted to low income individuals that qualify for federal or state public assistance

⁷⁶ NPRM at para. 52.

⁷⁷ Source: Strategic Mapping, Inc.

⁷⁸ See Attachment D for data showing the percent of GTE customers by state that receive Lifeline benefits, and the average household income. Although this data could indicate that self-certification is conducive to fraud, a study initiated by the CA PUC in 1992 to determine if fraud was associated with the ULTS program found that the rate of ineligibility was approximately 9%. See "A Study to Assess Customer Eligibility and Recommend Outreach Activities for the Universal Lifeline Telephone Service," November 1993, SRI International.

programs, such as Food Stamps, Aid to Families with Dependent Children, or similar programs. Moreover, individuals receiving Lifeline or Link Up assistance should continue to be required to present verification of such eligibility.

The Federal State Joint Board considered this question in 1985⁷⁹ and again in 1987,⁸⁰ and its recommendations were adopted by the Commission. A verification requirement was deliberately included in Lifeline from the outset,⁸¹ and its importance was stressed in 1987 when the Joint Board rejected proposals by California:

66. Several commenting parties sought further modification and expansion of the existing federal lifeline assistance program. We cannot endorse California's recommendation that the income verification requirement in the existing lifeline program be abandoned. This verification requirement serves two purposes: first, it ensures that those subscribers receiving the assistance are in fact eligible, thereby avoiding a situation where benefits are extracted by ineligible subscribers through fraudulent certifications; and second, annual recertification serves to update the eligibility roles [rolls] to ensure that the subscribers receiving assistance have remained eligible. **We consider the verification requirement to be an integral part of the existing lifeline assistance program.**⁸²

Further, this decision was grounded in a realistic concern with the widespread abuse that could arise from a program without a verification requirement:

For similar reasons, we do not accept Texas' request for increased flexibility in the eligibility requirements. Elimination of the means-test from the eligibility criteria for federal benefits, for example, would result in an assistance program

⁷⁹ The eligibility criteria adopted by the Joint Board and endorsed by the Commission when the Lifeline program was created remains valid. *D.78-72* and *D.80-286*, Recommended Decision and Order, FCC 85-639 (released December 9, 1985), 59 Rad. Reg. 2d (P & F) 551 (1985) (by the Federal-State Joint Board) (the "1985 RDO") at para. 35 (*subsequent citations omitted*).

⁸⁰ *D.78-72/D.80-286*, Recommended Decision and Order, 2 FCC Rcd 2324 (1987) (by the Federal-State Joint Board) (the "1987 RDO").

⁸¹ See 1985 RDO at paragraph 35.

⁸² 1987 RDO, 2 FCC Rcd at 2332, *footnotes omitted, emphasis added*.

that is no longer targeted to low income households, and susceptible to widespread abuse.⁸³

In contrast with the sensible concerns of the Joint Board -- reflected in the above-quoted language -- with keeping the Lifeline program narrowly targeted, the Notice (at para. 36) raises the possibility of eliminating the means test. In GTE's view, the logic of the Joint Board applies even more clearly now than in 1985/1987 as the industry has become fully competitive. The narrow targeting and safeguards against abuse of the present Lifeline program should not be tampered with.

Further, neither age nor disability in and of themselves should be added as Lifeline eligibility criterion. NPRM at para. 36. Data examined by a recent study "demonstrates that the retirement age population is well served by telephone service" and recommends that "[g]iven the scarcity of resources available for subsidies, it seems prudent to suggest that the aged should not be a target for subsidies."⁸⁴ This is not to say that some older individuals would not benefit from assistance. It suggests that, if an older person has a low income level, then assistance should be available. Similarly, disabled individuals that also have a low income level would be eligible for assistance.⁸⁵

GTE opposes extending Lifeline benefits to multi-line entities such as schools and libraries. NPRM at para. 36. The entire rationale for adopting the Lifeline program

⁸³ *Id.*

⁸⁴ Schement, Belinfante and Povich, *Telephone Penetration 1984-1994*, at 11, 12.

⁸⁵ This also avoids defining which disability and what degree of disability would qualify.

was to narrowly target assistance for "low income households" meeting a means test.⁸⁶ While GTE fully supports the availability of excellent telecommunications capabilities to schools and libraries -- and fully intends to continue providing such facilities -- expansion of the Lifeline program is not the appropriate approach to achieving that goal.

Enabling public agencies to acquire needed capabilities is the responsibility of the governmental entity that operates that agency. Funding for any capability needed by public agencies should be provided through an explicit mechanism that can be identified as such by the public at large. Alternatively, grants funded from general federal tax revenues should be provided. Government should not promote still more in the way of "hidden" subsidies.

Under the current structure of funding for the Lifeline program, adding schools and libraries as entities eligible for Lifeline funding would increase the interstate subsidy flow hidden within charges for long distance telecommunications services provided by IXCs. Exchange carriers also would have to pay increased intrastate subsidies. This would occur since many states do not permit LECs to recover the intrastate matching funding using an explicit rate element, but rather allow the exchange carrier to recover

⁸⁶ The words "low income household" appear literally dozens of times in the Joint Board and Commission proceedings examining and adopting the Lifeline program. See NPRM at n.49 and n.51.


those costs through higher prices for other services.⁸⁷ Given that both the Commission and Congress have clearly stated their intent to encourage competition for all telecommunications services, expanding these hidden subsidies would be an irrational step. If the LECs are to be permitted to compete with companies subject to little or no regulation, it is essential that the exchange carriers not be subject to extraordinary and unique burdens with respect to matters that should properly be supported by the entire community.

In summary: Only a minor change should be adopted for the Link Up program. The Lifeline program should remain unaltered.

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telephone operating companies

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September 27, 1995

Their Attorneys

⁸⁷ In at least one state, GTE directly subsidizes the intrastate matching SLC reduction for residential customers, and would become the subsidy provider for schools and libraries as well. The Florida legislature recently adopted a Lifeline program that calls for the COLR to provide a Lifeline assistance service. There is no provision in the statute for the COLR to recover the costs of that intrastate SLC matching program through an explicit funding mechanism. See Florida Statute section 364.10(2).

ATTACHMENT A

The California Public Utilities Commission ("CA PUC") established a requirement for GTE to create a plan for achieving a high subscribership level for ethnic segments that currently have lower than average penetration.¹ GTE's plan includes identification of population segments with low subscribership levels and their geographic location, creation of a five year marketing and educational plan to target activities to those individuals, plus a monitoring program to determine the success of the plan.

Population segments and their geographic location were identified through a multiple step process. First, a respected expert in demographics and statistics from the University of California, Los Angeles, was enlisted to help direct the process and ensure the validity of the results. Next, an advisory group consisting of representatives of eleven community based organizations was established. The advisory group helped to locate the main concentrations of their respective constituency. Finally, a statistical analysis was completed that identified the locations of ethnic minorities with a lower than desired subscribership level. This analysis was primarily based on Census Bureau data, but was augmented with information from both the advisory group and GTE's own demographic information resources.

The marketing and educational plan was designed by first gathering information from the community advisory group. This advisory group provided invaluable assistance by identifying the most critical common subscribership factors they believed

¹

See CA PUC Decision D.94-09-065 dated September 15, 1994 at para. 56. This decision ordered GTE to file a plan for universal service consistent with the program required of Pacific Bell in Decision D.93-11-011. GTE filed the plan on June 30, 1995, and GTE expects to begin implementation immediately following approval of its plan.

prevent each ethnic segment from either obtaining or retaining telephone service. Further, the advisory group described marketing and educational activities they believed would be effective in reaching their constituency. Focus group sessions then were designed and conducted with each minority group to confirm the importance of the subscribership factors, and to determine the likely effectiveness of the suggested marketing and educational methods. Input from the focus group sessions then was used to finalize the design of the marketing and education plan. This plan includes: advertising in several forms of native language media; providing collateral to GTE customer contact locations, civic agencies and community sites; providing GTE personnel versed in services and assistance programs as speakers at community functions; and increasing the number of non-English languages spoken by customer service representatives in GTE's existing National Multi-Lingual Telecommunications Center.

The monitoring plan is intended to determine if the target percent penetration for each minority segment is reached. Data obtained from customer surveys, quarterly Census data, and internal GTE customer records for the identified geographic areas will be used to measure the effectiveness of the program. In the event that subscribership targets are not attained, the marketing and educational efforts will be re-evaluated and adjusted.

The first year cost of this project is estimated to be \$1.1 million. GTE anticipates increasing subscribership in the targeted ethnic segments by approximately 10,500 during the first year, and by over 50,000 during the five year program. In accordance

with existing CA PUC regulations, GTE is eligible for reimbursement for these expenditures from the Universal Lifeline Telephone Service fund upon approval of this program.

ATTACHMENT B

GTE Long Distance Blocking and Operator Screening Options

Y - Offered as an option to the customer as either stand alone blocking or in a package of blocking options at the rate(s) noted under remarks.

N - Service not offered in the state.

State	Blocking Options				Screening Options		Remarks
	1+	0+/0-	011	900/976	Collect	3rd No. Bill	
AK	Y	Y	Y	N	N	N	Blocking of all dialed calls prefixed with a 1 or 0 is available at \$3.40 per month.
AL	Y	Y	Y	Y	Y	Y	There is no charge for blocking options. Screening options available for \$2.00 per month, one or both options.
AR	Y	Y	Y	Y	Y	Y	There is no charge for 900 Blocking. Other blocking options available for \$3.00 per month. Screening options available for \$3.00 per month for both options.
AZ	Y	Y	Y	Y	N	N	There is no charge for 900 Blocking. 1+ and 0+/0- Blocking is \$3.00 per month.
CA	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$2.50 - \$5.00 per month. Screening options available for \$3.50 per month for both options.
CA-WC	N	N	N	Y	Y	Y	There is no charge for 900 Blocking. Screening options available for a one time charge of \$5.00 for both options.
FL	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$2.50 per month. Screening Options available for a \$1.00 per month, any option or combination.
HI	Y	Y	Y	Y	Y	Y	There is no charge for 900 Blocking. Other blocking options available for \$3.50 - \$11.20 per month. Screening Options available for \$2.00 per month for either or both options.

GTE Long Distance Blocking and Operator Screening Options

Y - Offered as an option to the customer as either stand alone blocking or in a package of blocking options at the rate(s) noted under remarks.
N - Service not offered in the state.

State	Blocking Options				Screening Options		Remarks
	1+	0+/0-	011	900/976	Collect	3rd No. Bill	

IA	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$3.00 per month. Screening options available for \$1.00 per month for one or both options.
ID	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options will be available after 9/13/95 (Tariff pending) for \$3.40 per month. Screening options are available for a one time charge of \$5.00 for both options.
IL	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$5.00 per month. Screening options available for \$2.00 per month for one or both options.
IN	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$6.00 per month. Screening options available for \$2.00 per month for both options.
KY	Y	Y	Y	Y	N	N	There is no charge for 900/976 Blocking. Other blocking options available for \$2.75 per month.
MI	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for a one time charge of \$14.00. Screening options available for \$2.00 per month for one or both options.

GTE Long Distance Blocking and Operator Screening Options

Y - Offered as an option to the customer as either stand alone blocking or in a package of blocking options at the rate(s) noted under remarks.
N - Service not offered in the state.

	Blocking Options				Screening Options		Remarks
State	1+	0+/0-	011	900/976	Collect	3rd No. Bill	

MN	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$6.00 per month. Screening options available for \$2.00 per month, one or both options.
MO	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$4.10 per month. Screening options are available for \$4.10 per month, one or both options.
NC	Y	Y	Y	Y	N	N	There is no charge for 900/976 Blocking. Other blocking options available for \$2.75 per month.
NE	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options are available for \$6.00 per month. Screening options are available for \$2.00 per month, one or both options.
NM	Y	Y	Y	Y	Y	Y	There is no charge for 900 Blocking. Other blocking options available for \$3.00 per month. Screening Options available for \$3.00 per month for one or both options.
NV	Y	Y	Y	Y	N	N	There is no charge for 900 Blocking. 1+ and 0+/0- Blocking is \$3.00 per month.
OH	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$4.00 per month. Screening options available for \$2.00 per month for one or both options.

GTE Long Distance Blocking and Operator Screening Options

Y - Offered as an option to the customer as either stand alone blocking or in a package of blocking options at the rate(s) noted under remarks.
N - Service not offered in the state.

	Blocking Options				Screening Options		Remarks
State	1+	0+/0-	011	900/976	Collect	3rd No. Bill	

OK	Y	Y	Y	Y	Y	Y	There is no charge for 900 Blocking. Other blocking options available for \$3.00 per month. Screening options available for \$3.00 per month for both options.
OR	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$3.40 - \$5.00 per month. Screening options available for a one time charge of \$5.00 for both options.
PA	Y	Y	Y	Y	Y	Y	There is no charge for 900 Blocking. Other blocking options available for a one time charge of \$12.00 for all Toll Blocking to a one time charge of \$12.00 plus \$3.00 per month for only 1+ and 011 Blocking. Screening options available for \$2.00 per month for one or both options.
SC	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 blocking. Other blocking options available for \$2.75 per month. Screening options are available for \$2.00 per month, any option or combination.
TX	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$1.50 per month. Screening options available for \$2.00 per month for both options.
VA	Y	Y	Y	Y	N	N	There is no charge for 900/976 Blocking. Other blocking options available for \$1.50 per month.

GTE Long Distance Blocking and Operator Screening Options

Y - Offered as an option to the customer as either stand alone blocking or in a package of blocking options at the rate(s) noted under remarks.
N - Service not offered in the state.

	Blocking Options				Screening Options		Remarks
State	1+	0+/0-	011	900/976	Collect	3rd No. Bill	

WA	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$3.40 - \$5.00 per month. Screening Options available for a one time charge of \$5.00 for both options.
WI	Y	Y	Y	Y	Y	Y	There is no charge for 900/976 Blocking. Other blocking options available for \$6.00 per month. Screening options available for \$2.00 per month for one or both options.

ATTACHMENT C

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Amendment of the Commission's) CC Docket No. 95-115
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

**DECLARATION OF PATRICIA BRADFORD
IN SUPPORT OF GTE's COMMENTS**

I, Patricia Bradford, declare the following:

1. I am a Supervisor in GTE's National Credit Management Center, located in Hershey, Pennsylvania. In this capacity, I supervise a total of forty-eight Collectors dedicated to collecting GTE's Live Accounts, i.e., accounts for which active service is being provided, and Final Accounts, i.e., accounts for which active service is no longer being provided, for the following six states: Illinois, Indiana, Michigan, Ohio, Pennsylvania and Wisconsin. Thirty-one of these Collectors are dedicated to collecting Live Accounts, and of these ten (about 32 percent) handle Pennsylvania collections. The other twenty-one Live Account Collectors handle the remaining five states (Illinois, Indiana, Michigan, Ohio, and Wisconsin). Seventeen Collectors handle collections for Final Accounts for all six states.

2. I have been a first line Supervisor since May 1989. From June of 1992 through April of 1993, I specifically supervised only Final Account collections for various states, including Pennsylvania. Starting in April of 1993, I supervised in addition Pennsylvania Live Account collections, together with

Live Account collections for the remaining states as they were transferred to GTE's National Credit Management Center.

3. In this capacity I am familiar with the status of Live Account and Final Account collection in Pennsylvania. I make the following declaration by virtue of my own direct experience and the experience of those whom I supervise.

4. The Pennsylvania commission has rules and procedures that:

A) prohibit disconnection of local service for failure to pay for long distance service. (Pennsylvania permits local service disconnection for a failure to pay local service charges.) However, if a customer is served by a central office switch that cannot provide toll blocking, local service may be discontinued for failure to pay long distance charges.

B) do not allow involuntary toll restrictions to be imposed until (i) a customer's bill is in arrears, and (ii) the customer has been given opportunities for alternate payment arrangements, but has failed to complete those payment arrangements.

C) require that any unpaid toll charges that have led GTE to implement an involuntary toll block on a customer's line to be separately billed to the customer as a "Final" bill, and then those "Final" charges must be removed from the customer's normal bill. If the customer does not pay, GTE typically refers the amount of the Final bill to an external collection agency -- but GTE may not terminate

local service even though a substantial amount remains unpaid. Indeed, if the customer terminates service by virtue of a move to another location within GTE's service area, and the customer asks for service, GTE may not deny local service on account of the unpaid charges that were previously billed as "Final" as described *supra*.

D) tightly governs the crediting of partial payments, i.e., partial payments are first credited to local basic services, then toll charges, and finally to non-basic services such as custom calling features.

E) require that customer contact personnel conclude discussions with customers and potential customers by informing those individuals that if the individual is displeased with any information the GTE representative has provided, the individual has the option of filing a complaint with the Pennsylvania Public Utility Commission ("the Pennsylvania commission"); and that, if a complaint is lodged, payment of the disputed charge is not due until resolution of the complaint.

5. GTE has centralized its collection activities in the GTE National Credit Management Center. Within that center, separate work groups are designated to perform collection activities for a specified subset of states served by GTE. As mentioned *supra*, there are currently thirty-one employees involved in collection activities for the six state area that includes Pennsylvania. Ten of those employees (32 percent) are now dedicated to Pennsylvania due to the much more labor-intensive activities

required by the Pennsylvania commission. Since Pennsylvania represents less than one-sixth of the residential subscriber base of the six-state area, this means that, in Pennsylvania, twice as many employees are required per subscriber.

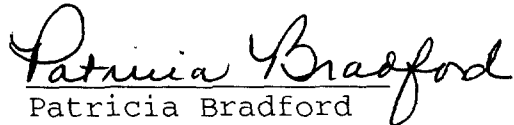
6. The Pennsylvania prohibition against terminating local service because of failure to pay interstate toll charges, in combination with these other regulations imposed by the Pennsylvania commission, results in an environment that allows individuals willing to abuse the process to evade paying for what they consume. This has resulted in a level of residential uncollectibles in Pennsylvania in recent years of approximately double the level of GTE's overall uncollectible amount.

7. If GTE employees are not successful in obtaining a "Final" payment, an external collection agency is used. However, the agency's record of success for Pennsylvania is dismal, a fact GTE attributes to its inability to disconnect local service.

8. Further, it is a common experience of GTE employees that customers with toll-blocked lines have actively sought, and found, means to allow them to continue to make toll calls, *i.e.*, "loopholes." Specifically, GTE employees reporting to me: (i) have often heard expressions from delinquent customers indicating their awareness that operator-handled calls are not blocked and that operators are very likely to complete calls described as "emergency" calls; and (ii) are familiar with numerous instances where a customer with a call-blocked line has engaged in what is called "IXC-hopping," *i.e.*, has obtained a calling card from an interexchange carrier, failed to pay for toll charges and

subsequently lost the use of that calling card, and has then obtained a calling card from another interexchange carrier and employed that calling card in the same way.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.


Patricia Bradford

ATTACHMENT D

State	Percent of GTE Customers with Lifeline	1994 Average Household Income ¹ (\$000)
AR	1.2	32.2
CA	15.2	52.7
HI	1.4	57.3
ID	1.0	36.5
MI	2.3	42.8
MN	3.4	43.3
MO	0.9	38.2
NC	0.7	38.3
NM	4.5	36.1
OH	0.4	40.2
OR	1.6	39.3
TX	1.4	41.3
VA	0.9	46.8
WA	2.0	45.1
WI	1.1	40.6

¹Source: Strategic Mapping, Inc.